

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL MEMORANDUM**

HB 2331 – SB 2373

March 9, 2016

SUMMARY OF ORIGINAL BILL: Eliminates the requirement that a healthcare services provider be at a hospital or other qualified site for the service to be considered telehealth services for insurance purposes. Requires a health insurance entity to reimburse for healthcare services provided during a telehealth encounter on the same basis and at least at the same rate that the health insurance entity is responsible for coverage for the provision of the same service through in-person encounters without any distinction or consideration of the geographic location, or any federal, state, or local designation or classification of the geographic area where the patient is located. Effective date July 1, 2016

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$12,910,800

Increase Federal Expenditures - \$23,783,700

Increase Local Expenditures – Exceeds \$5,200

CORRECTED IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Revenue - \$36,699,700

Increase Business Expenditures – Less than \$36,699,700

SUMMARY OF AMENDMENT (013002): Deletes language from the original bill to remove the provision that requires a healthcare services provider or health insurance entity from reimbursing for telehealth encounters on the same basis and at least at the same rate that the health insurance entity is responsible for coverage for the provision of the same service through in-person encounters.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On March 7, 2016, a fiscal memorandum was issued for the bill as amended with a fiscal impact estimated as follows:

Unchanged from the corrected fiscal note.

Based on additional information provided by the Department of Finance and Administration, removing the requirement for a healthcare services provider or health insurance entity to reimburse for telehealth encounters on the same basis and at least at the same rate that the health insurance entity is responsible for coverage for the provision of the same service through in-person encounters removes the rate parity provision. The estimated fiscal impact is:

(CORRECTED)

Increase State Expenditures - \$12,816,200

Increase Federal Expenditures - \$23,783,700

Corrected assumptions for the bill as amended:

- Based on information provided by the Department of Finance and Administration Division of Benefits Administration, the proposed amendment removes the requirement to reimburse for telehealth encounters at the same rate as in person encounters.
- Based on information provided by the Bureau of TennCare, the Bureau anticipates an increase in utilization of telehealth encounters through email and phone calls.
- Assuming a three percent increase in these types of claims, it is estimated there will be an increase of 192,631 (6,421,033 total claims x 0.03) email and phone call claims at a rate of \$38 per service resulting in an increase in expenditures of \$7,319,978 (192,631 emails/calls x \$38 per service) for one MCO. The Bureau contracts with three MCO's, assuming the other two experience a similar increase, the total estimated increase in expenditures is estimated to be \$21,959,934 (\$7,319,978 x 3).
- Telehealth encounters are currently reimbursed from a qualified site. The proposed legislation authorizes telehealth encounters without any distinction or consideration of geographic location which will increase access and evaluation-and-management (E&M) costs.
- Assuming a two percent increase for access costs, it is estimated there will be an increase of \$14,639,955 [(6,421,033 total claims x 0.02 x \$38 per service) x 3 MCOs].
- The total recurring increase in expenditures through TennCare is estimated to be \$36,599,889 (\$21,959,934 + \$14,639,955).
- Medicare expenditures matching funds at a rate of 64.983 percent federal funds and 35.017 percent state funds.
- The recurring increase in state expenditures is estimated to be \$12,816,183 (\$36,599,889 x 0.35017) in state funds and \$23,783,706 (\$36,599,889 x 0.64983) in federal funds.

- According to the Department of Commerce and Insurance, the TennCare Oversight and Insurance Divisions of the Department can review the provider agreements and investigate provider complaints within existing resources.
- The proposed legislation will not affect the programs or operations of the Department of Health, any fiscal impact would be not significant.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

On March 7, 2016, a fiscal memo was issued estimating an impact to commerce as follows:

Unchanged from the corrected fiscal note.

Based on new information and additional review, the revised impact to commerce is estimated as follows:

(CORRECTED)

Increase Business Revenue - \$36,599,900

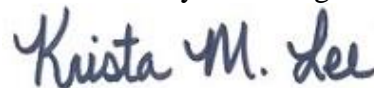
Increase Business Expenditures – Less than \$36,599,900

Corrected assumptions for the bill as amended:

- Health care providers that provide telehealth services will incur a recurring increase in revenue to cover the recurring costs of coverage provided by insurance companies as a result of the proposed legislation.
- Insurance companies will realize an increase in premium revenue to cover the increased coverage.
- An exact impact to commerce cannot be determined due to a number of unknown factors, but the increased revenue is reasonably estimated to exceed the amount of increased state, local, and federal expenditures resulting from the proposed legislation.
- For companies to retain solvency, any increased expenditures will be less than the amount of revenue collected.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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